



***Operating Budget Study Session
April 10, 2018***

MEMORANDUM

Office of the City Manager



DATE: April 10, 2018

TO: Honorable Mayor and City Council

FROM: Julie Edmonds-Mares, City Manager
Will Fuentes, Director of Financial Services

SUBJECT: FY 2018-19 Budget Study Session

Introduction

The annual budget is the single most important policy action that the City Council takes, and it represents the City's priorities for making resource investments, both for the upcoming year and for the long-term future. As such, the budget process must include effective participation from the Mayor and Council, our community, key stakeholders, and from City staff. Through the budget, our common goal is both to ensure that we use our limited resources as effectively as possible to deliver the services our community expects and deserves, and to ensure that we operate with a strong fiscal discipline and fiscal responsibility as stewards for the future.

As your new City Manager, I greatly value the engagement of our Council, our community, and our entire organization in this budget process so that the budget reflects these goals and priorities. As we work together, we can make better progress to invest in our community's future and invest in our organization and our staff so that we can operate efficiently and effectively. In the short time I have been here, I have been impressed with our mutual focus on balancing sustainable growth and development while achieving shared objectives for a livable, vibrant, and safe community. We have an outstanding team and a gem of a community that the budget serves.

The April 10 Council study session is an opportunity for staff to receive additional feedback and direction from the City Council and the public before finalizing the proposed FY 2018-19 operating budget document for scheduled adoption in May. The 2018-2023 Capital Improvement Program (CIP) will also be discussed in summary, noting key modifications since it was discussed during the CIP workshop with Council March 7.

For the budget study session, staff has attached high-level budget summaries, department budgets, and associated supporting documents for the City Council's reference. At the study session, staff will provide revenue and expenditure highlights, outline key initiatives that support Council-identified priorities, and discuss the budget process and next steps.

Council-identified priorities

Council-identified priorities were developed during budget workshops in November 2017 and February 2018 as well as through extensive engagement with the community, City employees, and key stakeholder groups.

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These priorities include:

- **Public Safety:** We must continue to invest in our capabilities for police and fire protection in partnership with our community.
- **Infrastructure and Community Facilities Maintenance:** We must continue to build and maintain the structures, systems, and facilities that support long-term quality of life, City efficiency, and community growth.
- **Transportation and Transit:** We must continue to seek and develop collaborative solutions to meet the transportation challenges facing our community and our region.
- **Economic Development and Job Growth:** We must continue to strengthen our economic foundations that support community prosperity and opportunity while ensuring a sustainable and livable city.
- **Fiscal Responsibility:** We must continue to live within our means and to be committed to long-term fiscal discipline and financial stewardship

The study session will focus primarily on the General Fund, which supports core community and essential non-utility services. During the presentation, staff will also discuss briefly other funds that support operations such as the Water and Sewer Funds. The format of staff's presentation will be different than in past years and will incorporate a team-based collaborative approach, segmented by key city service areas that support Council-identified priorities.

General Fund Budget Overview

Staff has submitted a balanced draft General Fund budget of \$100.0 million for total expenditures. This draft budget reflects the funding necessary to preserve existing service levels and meet anticipated demands of a growing community, as well as funding for new initiatives meant to support Council-identified priorities.

The Executive Team and I thank Council and the community for their active participation in the budget development process since November 2017 and for their input and direction necessary to produce a fiscally sound budget that meets the needs of the people of Milpitas. The end result of this effort is a balanced General Fund budget for FY 2018-19 with estimated revenues exceeding proposed expenditures by \$681,000.

FY 2018-19 proposed General Fund expenditures increased by 9.9%, or \$9.9 million, compared to the current FY 2017-18 adopted expenditures of \$90.2 million.

- Of the \$9.9 million increase, personnel costs increased by \$7.7 million due to the addition of 22.25 new staff positions (3 of which were recently approved as mid-year adjustments in FY 2017-18); increased employer contributions to pension plans; increased employee benefits; and minor staffing reclassifications and reallocations. Additionally, as investment in the City's most

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valuable asset, its workforce, assumptions for personnel costs also include salaries pursuant to contracts negotiated with employee groups and a 3% cost of living adjustment for those groups without a current labor contract or with a labor contract expiring June 30, 2018. These include the International Association of Firefighters (IAFF) and unrepresented employees.

- Supplies and services increased by \$1.9 million, mostly in the areas of contractual services and maintenance and due to items including, but not limited to, citywide newsletter printing, November 2018 election costs, mandated permits and studies, and tree and streetscape maintenance.
- Capital outlays increased by \$177,000 to support the purchase of street maintenance vehicles and public safety apparatus that could not be paid for by accumulated depreciation replacement funds alone.

General Fund revenue, equals approximately \$100.7 million, an 11.6% or \$10.5 million increase compared to the current FY 2017-18 adopted revenue estimate of \$90.2 million.

- Property Tax revenue is expected to equal \$31.4 million, which is 8.6% or \$2.5 million higher than FY 2017-18 estimated and budgeted revenue of \$28.9 million. Property Tax estimates are made using data provided by the Santa Clara County Assessor's Office.
- Taxes Other than Property, which include Sales Tax, Transient Occupancy Tax, Franchise Fees, and Business License Tax, are expected to total \$44.3 million, which is 12.1% or \$4.8 million higher than FY 2017-18 estimated and budgeted revenue of \$39.5 million. Sales tax estimates are provided by an outside sales tax consultant with extensive knowledge of Milpitas' sales tax base. All other taxes are projected using up to 3% growth assumptions.
- Licenses and Permits, which include Building and Fire Permits as well as Fire Inspection Fees, are expected to equal \$9.8 million, which is 16.6% or \$1.4 million higher than FY 2017-18 estimated and budgeted revenue of \$8.4 million.
- Charges for Current Services, which include reimbursable private development jobs, recreation user fees, and miscellaneous charges, are expected to equal \$7.4 million, which is 13.8% or \$899,000 higher than FY 2017-18 estimated and budgeted revenue of \$6.5 million. This increase is the result of the City's significant continuing development activity and growing community needs for services.

Putting it all together, the draft General Fund budget is again balanced and has estimated revenues exceeding proposed expenditures by \$681,000. Council may wish to use these excess funds to support other initiatives not included in the draft FY 2018-19 operating budget or 2018-2023 CIP.

Attached to your study session materials is a list of other departmental requests that were not included in the draft operating budget due to limited resources and staff analysis of departmental needs. Council may choose to fund items on this list or identify other items not on the list. If an item is not on the list,

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staff will develop cost projections and provide them to Council during the study session if time permits or after the study session and before budget adoption in May.

It is again important to note that this draft budget does include key service area initiatives necessary for both basic service levels and to support the needs of a growing community and Council-identified priorities. These will be highlighted in the staff presentation and below.

Key Proposed Service Area Initiatives

During the budget process all departments submitted staffing requests, which provided a healthy context for discussing critical City needs and priorities. This is invaluable for our planning and addressing the ongoing question of “Which needs for resource are currently being provided for, which meet Council and community-identified priorities, and which remain on the table for future consideration?” These requests became the basis for internal staff discussion, planning, and evaluation in the budget process and the recommendations for staffing and related increases are summarized below by four primary City service areas. Full cost impact detail is provided in the accompanying packet of budget study session materials.

Approved Mid-Year FY 2017-18

- **Development and Growth** (*Building, Economic Development, Engineering, and Planning*)
 - ***New Personnel:***
 - One (1) Deputy City Manager (Development)
 - Offset by removal of one (1) Permit Center Manager
 - Addition of Dedicated Temporary Contract Staff in Building and Safety Department, fully offset by developer fees for requested services
 - One (1) Associate Civil Engineer
 - One (1) Public Works Inspector
 - One (1) Housing Authority Administrator
 - ***Significant Reclassifications:***
 - One (1) Building and Safety Director to One (1) Chief Building Official
 - One (1) Assistant Engineering Director to One (1) Principal Civil Engineer

Requests for FY 2018-19

- **Public Safety** (*Police and Fire*)
 - ***New Personnel:***
 - One (1) Assistant Police Chief
 - One (1) Crime Analyst
 - One (1) Police Clerk II
 - One (1) Battalion Chief
 - One (1) Assistant Fire Marshall

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- **Capital Outlay:**
 - Three (3) Patrol Vehicles
 - One (1) Unmarked Investigations Vehicle
 - One (1) Community Relations Supervisor Vehicle
 - One (1) Fire Pumper Truck
 - One (1) Fire Command Staff Vehicle
- **Parks, Recreation, and Infrastructure** (*Recreation and Public Works*)
 - **New Personnel:**
 - One (1) Recreation Assistant IV (managing recreation contracts)
 - One (1) Senior Public Works Lead
 - One (1) Environmental and Regulatory Compliance Coordinator
 - One (1) Public Works Administrative Analyst II
 - Additional temporary staff across all Recreation programs to meet increased program demands; offset by increased user fee activity and revenue
 - **Capital Outlay:**
 - Hydro Root Foaming Additions to Existing Sewer Line Maintenance Equipment
 - Two (2) Public Works Ford F250s Trucks in Street Maintenance
 - One (1) Neutral Output Discharge Elimination System (NO-DES) Flushing Trailer
- **Development and Growth** (*Building, Economic Development, Engineering, and Planning*)
 - **New Personnel:**
 - Two (2) Associate Civil Engineers
 - One (1) Junior/Assistant Civil Engineer
 - **Significant Reclassifications:**
 - One (1) Economic Development Specialist to One (1) Economic Development and Sustainability Coordinator
 - One (1) Traffic Engineer to One (1) Traffic and Transportation Manager
 - One (1) Neighborhood Preservation Specialist to One (1) Senior Code Enforcement Officer
 - One (1) Building Inspector to One (1) Senior Building Inspector
- **Leadership and Support Services** (*City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, and Information Services*)
 - **New Personnel:**
 - One (1) Assistant to the City Manager
 - One (1) Public Information Officer
 - One (1) Office Specialist
 - Offset by reduction in One (1.0) FTEs of part-time staff
 - One (1) Senior Information Analyst/Developer (Information Systems)

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- Two (2) Financial Analysts; One (1) supporting the budget process and financial reporting, and One (1) generalist supporting Finance project implementations and compliance duties such as wage theft, minimum wage, etc.
- One (1) Customer Service Supervisor
 - Offset by increased revenues due to enhanced compliance, discovery, audit, and collection efforts.

Unfunded Pension Liabilities, Retiree Medical Benefits & Reserves

California cities are facing the growing challenge of rising pension costs and unfunded pension liabilities, and new government accounting standards have revealed the magnitude of these cost exposures. Furthermore, recent CalPERS pension assumption changes, such as lowering the discount rate to 7.0% and shortening pension liability amortization from 30 years to 20 years, have required California cities to increase the funding required for retirement costs in the near term. Similarly, medical benefit costs for both active employees and retirees continue to increase. Milpitas is not spared from this fiscal difficulty, and these growing costs oblige the City to continue to maintain its posture of fiscal discipline and prudent budgeting.

The General Fund currently has a \$19 million in a CalPERS Rate Stabilization Reserve. In the near future, staff will present Council with a detailed plan of how to use this reserve and review primary factors contributing to the CalPERS low-funded status. The upcoming plan could include the establishment of a Section 115 trust (an IRS tool for prefunding pension benefits) to earn investment income, pay down unfunded pension liabilities on an accelerated basis and reduce overall long-term interest costs, and set aside remaining funds to offset unexpected increases in pension rates. Addressing unfunded pension liabilities is a prudent and essential element of our strategy to ensure the long-term fiscal sustainability of Milpitas.

Other current General Fund reserves are also listed in the appendices to your study session materials, as well as additional reserves that the Council may wish to consider for addressing long-term priorities and enhancing long-term fiscal sustainability. Please note that the General Fund also has a current unassigned reserve balance of \$10.19 million due to a surplus of revenues over expenditures in FY 2016-17. This reserve balance was discussed with Council in fall 2017, and it could be used to establish additional reserves in anticipation of potential fiscal uncertainties, provide transitional bridge funding for operating needs, support capital projects, or be used for other one-time initiatives determined by Council. Staff will also be recommending the use of \$2.65 million of these funds to support the inclusion of several Council-identified capital projects in the 2018-2023 CIP. These projects will be presented during the CIP update portion of the budget study session.

Conclusion

Staff is pleased to present a balanced operating budget for FY 2018-19 and looks forward to City Council discussion and direction in making final decisions as we move towards the May 8 budget adoption hearing. I again thank the City Council, our community, and key stakeholders for their input and participation during the budget development process. I also thank our entire Executive Team for listening to this input and thoughtfully developing a draft proposed operating budget that supports Council-identified priorities, as well as our Finance and Engineering Departments for analyzing expenditures, estimating revenues necessary to balance costs, establishing an enhanced budget

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development process, and preparing extensive budget materials needed to make key informed decisions.

To be successful, the annual budget development process must rely on broad and deep collaboration and communication at every step of the way by multiple stakeholders, both in the community and within our organization. I am gratified that everyone rose to the challenge to provide the Council with this draft operating budget that I believe will serve the needs of the growing Milpitas community. For this sustained effort, all are to be commended.

Summary Tables



Draft Budget Summary 2018-2019

	GRAND TOTAL	GENERAL FUND	MEASURE I TOT FUND	HOUSING AUTHORITY	OTHER FUNDS	CAPITAL PROJECTS	WATER FUND	SEWER FUND
ESTIMATED REVENUES								
Property Taxes	31,405,000	31,405,000	0	0	0	0	0	0
Taxes Other Than Property	46,998,851	44,305,851	2,483,000	0	210,000	0	0	0
Licenses and Permits	9,781,714	9,781,714	0	0	0	0	0	0
Fines and Forfeits	471,500	471,500	0	0	0	0	0	0
Use of Money and Property	3,204,000	703,000	53,000	591,000	200,000	969,000	306,000	382,000
Intergovernmental	2,176,610	555,500	0	0	3,615,310	(2,134,200)	140,000	0
Charges For Current Services	55,598,954	7,398,954	0	150,000	850,000	0	30,400,000	16,800,000
Other Revenue	43,627,178	41,000	0	0	383,178	26,700,000	15,439,000	1,064,000
sub-total	193,263,807	94,662,519	2,536,000	741,000	5,258,488	25,534,800	46,285,000	18,246,000
Other Financing Sources								
(Increase) Decrease in Fund Balance	4,213,419	(680,944)	(133,378)	58,092	4,594,715	0	3,346,737	(2,971,803)
(Increase) Decrease in CIP Fund Balance	(9,577,643)	0	0	0	0	(1,319,443)	(9,541,200)	1,283,000
Operating Transfers In	13,251,075	6,355,432	0	0	300,000	4,265,643	2,330,000	0
Operating Transfers Out	(13,251,075)	(300,000)	(1,600,000)	0	(3,256,244)	(2,330,000)	(3,643,579)	(2,121,252)
sub-total	(5,364,224)	5,374,488	(1,733,378)	58,092	1,638,471	616,200	(7,508,042)	(3,810,055)
TOTAL	187,899,583	100,037,007	802,622	799,092	6,896,959	26,151,000	38,776,958	14,435,945
BUDGETED APPROPRIATIONS								
Personnel Services	92,459,288	81,397,519	206,222	534,692	2,762,950	0	4,060,260	3,497,645
Supplies & Contractual Services	50,017,444	18,452,520	596,400	264,400	2,907,906	0	20,268,541	7,527,677
Capital Outlay	2,018,071	186,968	0	0	1,226,103	0	560,000	45,000
sub-total	144,494,803	100,037,007	802,622	799,092	6,896,959	0	24,888,801	11,070,322
Capital Improvements	41,867,480	0	0	0	0	26,076,000	13,098,157	2,693,323
Debt Service	1,537,300	0	0	0	0	75,000	790,000	672,300
sub-total	43,404,780	0	0	0	0	26,151,000	13,888,157	3,365,623
TOTAL	187,899,583	100,037,007	802,622	799,092	6,896,959	26,151,000	38,776,958	14,435,945
FUND BALANCE								
Fund Balance 7/1/18	249,705,000	68,226,000	3,400,000	7,700,000	16,624,000	96,555,000	28,000,000	29,200,000
Net Changes in Fund Balance	5,364,224	680,944	133,378	(58,092)	(4,594,715)	1,319,443	6,194,463	1,688,803
Fund Balance 6/30/19	255,069,224	68,906,944	3,533,378	7,641,908	12,029,285	97,874,443	34,194,463	30,888,803
Restricted	33,096,477	20,200,000	0	7,641,908	5,254,569	0	0	0
Restricted for CIP	131,832,643	0	0	0	0	83,874,443	31,441,200	16,517,000
Committed for PERS	19,026,000	19,026,000	0	0	0	0	0	0
Assigned	21,208,878	3,600,000	3,533,378	0	75,500	14,000,000	0	0
Unassigned, Unrestricted	49,905,226	26,080,944	0	0	6,699,216	0	2,753,263	14,371,803
TOTAL	255,069,224	68,906,944	3,533,378	7,641,908	12,029,285	97,874,443	34,194,463	30,888,803

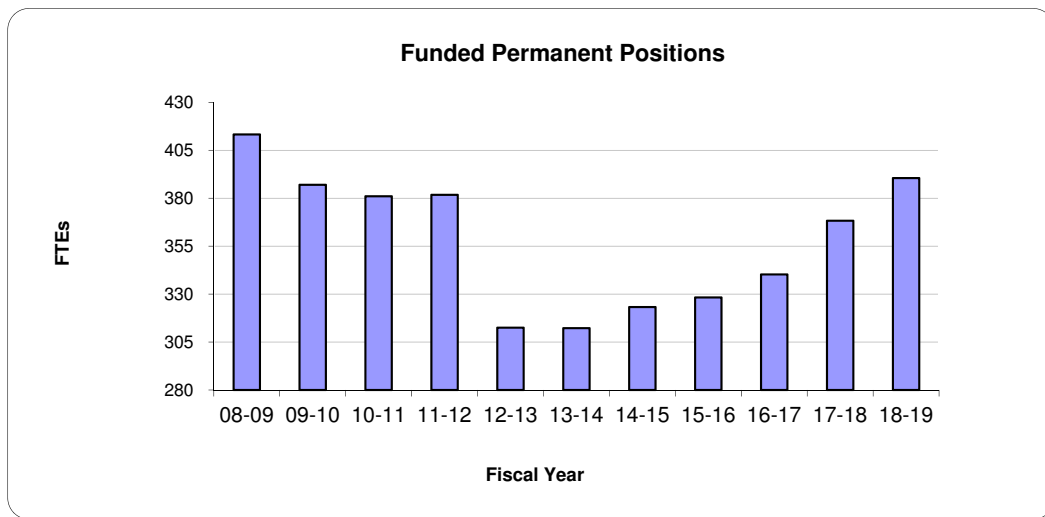
Draft Budget Summary by Department
Fiscal Year 2018-2019

Service Areas	Personnel Services	Services & Supplies	Capital Outlay	General Fund Total	\$ Change From Prior Yr	% Change From Prior Yr	Non-General fund Total	Grand Total
Fire	18,960,795	2,680,514	130,082	21,771,391	1,598,053	7.3%	16,000	21,787,391
Police	30,898,836	1,677,061	40,940	32,616,837	1,832,080	5.6%	60,000	32,676,837
Public Works	3,507,592	3,600,969	-	7,108,561	683,101	9.6%	11,831,743	18,940,304
Recreation	3,749,267	1,287,049	-	5,036,316	344,549	6.8%	205,768	5,242,084
Building and Safety	4,978,155	82,196	-	5,060,351	316,807	6.3%	257,338	5,317,689
Economic Development	676,429	296,005	-	972,434	129,241	13.3%	-	972,434
Engineering	3,483,578	634,944	15,946	4,134,468	987,400	23.9%	449,585	4,584,053
Planning & Neighborhood Svcs	2,436,389	494,317	-	2,930,706	68,440	2.3%	1,174,528	4,105,234
City Council	238,922	193,185	-	432,107	4,408	1.0%	510,000	942,107
City Manager	1,889,856	231,300	-	2,121,156	1,400,343	66.0%	-	2,121,156
City Attorney	181,782	567,150	-	748,932	14,046	1.9%	-	748,932
City Clerk	535,400	238,500	-	773,900	227,882	29.4%	-	773,900
Finance	3,324,358	261,445	-	3,585,803	527,333	14.7%	1,582,365	5,168,168
Human Resources	912,826	547,925	-	1,460,751	32,823	2.2%	-	1,460,751
Information Services	2,090,234	1,070,793	-	3,161,027	524,058	16.6%	728,283	3,889,310
Non-Departmental*	3,533,100	4,589,167	-	8,122,267	1,164,262	14.3%	29,179,486	37,301,753
TOTAL	81,397,519	18,452,520	186,968	100,037,007	9,854,826	9.9%	45,995,096	146,032,103

* Does include Debt Services which totaled \$1,537,300

Funded Permanent Positions by Department

	14-15		15-16		16-17		17-18	FY18	FY19	18-19
	Funded	Change	Funded	Change	Funded	Change	Funded	Mid-Yr	Proposed Add	Budget
Fire	61.00	1.00	62.00	1.00	63.00	5.00	68.00		2.00	70.00
Police	108.00	1.00	109.00	2.00	111.00	3.00	114.00		3.00	117.00
Public Works	41.00	0.00	41.00	5.00	46.00	19.00	65.00		3.00	68.00
Recreation Services	13.75	1.00	14.75	1.00	15.75	0.00	15.75		1.25	17.00
Building and Safety	17.00	1.00	18.00	0.00	18.00	1.00	19.00	(1.00)	0.00	18.00
Economic Development	0.00	0.00	0.00	0.00	1.00	2.00	3.00		0.00	3.00
Engineering	23.00	0.00	23.00	2.00	25.00	(7.00)	18.00	2.00	3.00	23.00
Planning & Nghbrhd Srves	11.00	0.00	11.00	0.00	11.00	3.00	14.00	1.00	0.00	15.00
City Council	5.00	0.00	5.00	0.00	5.00	0.00	5.00		0.00	5.00
City Manager	4.00	0.00	4.00	0.00	4.00	(1.00)	3.00	1.00	3.00	7.00
City Attorney	3.00	0.00	3.00	(2.00)	1.00	0.00	1.00		0.00	1.00
City Clerk	2.00	0.00	2.00	0.00	2.00	1.00	3.00		0.00	3.00
Finance	21.50	1.00	22.50	1.00	23.50	1.00	24.50		3.00	27.50
Human Resources	3.00	1.00	4.00	0.00	4.00	1.00	5.00		0.00	5.00
Information Services	10.00	(1.00)	9.00	1.00	10.00	0.00	10.00		1.00	11.00
TOTAL	323.25	5.00	328.25	11.00	340.25	28.00	368.25	3.00	19.25	390.50



FY17-18 Mid-Year Adds					
Building	Permit Center Manager	-1	(205,070)	(205,070)	-
Engineering	Public Works Inspector	1	169,060	101,436	67,624
Engineering	Associate Civil Engineer	1	194,220	194,220	-
Planning	Housing Authority Administrator	1	251,924	25,176	226,748
City Manager	Deputy City Manager	1	298,240	298,240	-
MID-YEAR TOTAL		3.00	708,374	414,002	294,372

FY18-19 New Position Requests					
Department	Job Title	FTE	Total	General Fund	Other Funds
Fire	Battalion Chief - 40 Hour	1	277,048	277,048	-
Fire	Assistant Fire Marshall	1	226,896	226,896	-
Police	Crime Analyst	1	176,188	176,188	-
Police	Police Clerk II	1	139,699	139,699	-
Police*	Assistant Chief of Police	1	196,184	196,184	-
Public Works	Sr. Public Works Lead	1	165,930	-	165,930
Public Works	Environmental and Regulatory Compliance Specialist	1	188,110	37,622	150,488
Public Works	Administrative Analyst I	1	142,576	-	142,576
Recreation	Recreation Assistant IV	1	104,494	104,494	-
Recreation	Recreation Services Asst I	1	79,224	79,224	-
Recreation	Recreation Services Asst I	-0.75	(65,267)	(65,267)	-
Engineering	Associate Civil Engineer	1	194,220	116,532	77,688
Engineering	Associate Civil Engineer	1	194,220	48,555	145,665
Engineering	Junior/Assistant Civil Engineer	1	158,440	158,440	-
City Manager	Assistant to the City Manager	1	265,384	265,384	-
City Manager	Public Information Officer	1	249,362	249,362	-
City Manager	Office Specialist	1	121,616	121,616	-
Finance	Financial Analyst I	2	285,152	285,152	-
Finance	Customer Services Supervisor	1	167,378	33,476	133,902
Information Services	Senior Information Analyst/Developer	1	193,802	193,802	-
NEW POSITIONS TOTAL		19.25	3,460,656	2,644,407	816,249
GRAND TOTAL		22.25	4,169,030	3,058,408	1,110,621

*Position starting in January 2019, cost is only 50%

FY 18-19 Capital Outlay Request Summary

Department	Description	Total Cost	Replacement Fund available	Budget Request	Fund
Fire	Velocity Pumper	\$ 800,000.00	\$ 679,918.00	\$ 120,082.00	General Fund
Fire	F250 4 wheel drive diesel	\$ 100,000.00	\$ 100,000.00	\$ -	General Fund
Police	unmarked sedan	\$ 28,583.20	\$ 27,236.00	\$ 1,347.20	General Fund
Police	Marked PD SUV	\$ 47,600.00	\$ 40,781.00	\$ 6,819.00	General Fund
Police	Marked PD SUV	\$ 47,600.00	\$ 36,752.00	\$ 10,848.00	General Fund
Police	Marked PD SUV	\$ 47,600.00	\$ 37,518.00	\$ 10,082.00	General Fund
Police	2018 Ford Explorer, silver unmarked Police Vehicle	\$ 38,437.53	\$ 26,594.00	\$ 11,843.53	General Fund
Public Works	New Hydro Root foaming additions	\$ 45,000.00	\$ -	\$ 45,000.00	Sewer Fund
Public Works	Ford F250	\$ 30,000.00	\$ 21,420.00	\$ 8,580.00	General Fund
Public Works	Ford F250	\$ 30,000.00	\$ 22,634.00	\$ 7,366.00	General Fund
Public Works	NO-DES No-Discharge Flushing Trailer	\$ 400,000.00	\$ -	\$ 400,000.00	Water Fund
		\$ 1,614,820.73	\$ 992,853.00	\$ 621,967.73	

Fund Breakdown

General Fund: 100	176,967.73
Water Maintenance and Operation: 400	400,000
Sewer Maintenance and Operation: 450	45,000
Equipment Management: 500	992,853

Departmental Summaries



Fire

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	8,412,611	8,897,231	9,949,992	10,335,675		
4112 Temporary Salaries	23,445	43,861	15,000	33,981		
4113 Overtime	1,407,256	1,535,641	1,219,000	1,220,000		
4121 Allowances	57,769	58,558	64,740	66,732		
4124 Leave Cash out	660,958	286,302	-	-		
4131 PERS	2,954,992	3,471,921	4,231,989	4,717,071		
4132 Group Insurance	1,394,380	1,428,023	1,470,072	1,582,032		
4133 Medicare	152,240	149,816	143,570	151,474		
4135 Worker's Compensation	228,899	322,377	320,615	327,303		
4138 Deferred Comp-Employer	37,733	38,860	43,800	45,600		
4139 PARS	118	186	225	-		
4161 Retiree Medical Reserve	396,058	415,384	470,324	480,927		
Sub-total	15,726,459	16,648,160	17,929,327	18,960,795	1,031,468	6%
SUPPLIES AND CONTRACTUAL SERVICES						
4211 Equip Replacement Amortization	1,164,479	1,135,608	1,341,081	1,458,989		
4220 Supplies	340,050	461,144	448,200	698,200		
4230 Services	138,680	116,539	250,100	302,900		
4410 Communications	107	-	-	-		
4501 Memberships and Dues	7,187	15,235	32,230	36,025		
4503 Training	70,028	55,456	178,400	200,400		
Sub-total	1,720,531	1,783,982	2,250,011	2,696,514	446,503	20%
CAPITAL OUTLAY						
4850 Vehicles	165,360	-	-	120,082		
4870 Machinery & Equipment	6,084	23,190	-	-		
4920 Machinery Tools & Equipment	25,973	12,290	10,000	10,000		
Sub-total	197,417	35,480	10,000	130,082	120,082	1201%
TOTAL	17,644,407	18,467,622	20,189,338	21,787,391	1,598,053	8%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Add two new positions (Battalion Chief - 40 hour and Assistant Fire Marshall) for \$504k
- 3) Add one Pierce Velocity Pumper Fire Engine and one Ford F250 requiring \$120k over available replacement fund
- 4) Increase in supplies and services for Ambulance and BART Response, totaling \$327k
- 5) Add 0.5 FTE Student Intern for \$20k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Fire Chief	1	0	0	1	Deputy Fire Chief	2	0	0	2
Fire Captain	16	0	0	16	Fire Battalion Chief	3	0	1	4
Fire Engineer	4	0	0	4	Assistant Fire Marshall	0	0	1	1
Fire Engineer-Paramedic	11	0	0	11	Chief Fire Enforcement Offcr	1	0	0	1
Firefighter	14	0	0	14	Administrative Analyst II	1	0	0	1
Firefighter/Paramedic	7	0	0	7	Emergency Svcs Coordinator	1	0	0	1
Fire Protection Engineer	1	0	0	1	Hazardous Materials Inspector	2	0	0	2
Office Specialist	1	0	0	1	Fire Prevention Inspector	3	0	0	3
					Total	68	0	2	70

Police

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	14,219,562	14,228,432	16,755,149	17,187,866		
4112 Temporary Salaries	394,168	519,294	494,872	512,552		
4113 Overtime	596,917	677,687	693,283	693,283		
4121 Allowances	138,644	133,716	143,208	145,344		
4124 Leave Cash out	552,248	824,635	-	-		
4131 PERS	5,131,347	5,723,505	7,031,893	8,103,352		
4132 Group Insurance	2,181,876	2,184,247	2,449,428	2,656,212		
4133 Medicare	219,512	225,484	247,709	252,369		
4135 Worker's Compensation	372,052	519,397	553,406	577,115		
4138 Deferred Comp-Employer	4,853	4,892	5,400	8,100		
4139 PARS	5,415	5,565	7,030	-		
4141 Adjustments-Payroll	225	-	4,500	4,500		
4161 Retiree Medical Reserve	644,734	668,425	716,170	758,143		
Sub-total	24,461,553	25,715,279	29,102,048	30,898,836	1,796,788	6%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	500	500	500	500	-	
4211 Equip Replacement Amortization	534,329	409,852	559,018	511,449		
4220 Supplies	146,959	151,394	150,115	150,115		
4230 Services	612,802	649,836	843,411	882,832		
4410 Communications	13,795	21,075	24,820	24,820		
4501 Memberships and Dues	3,252	4,382	3,673	3,673		
4503 Training	77,192	130,920	101,172	103,672		
Sub-total	1,388,829	1,367,959	1,682,709	1,677,061	(5,648)	0%
CAPITAL OUTLAY						
4850 Vehicles	-	25,472	-	40,940		
4870 Machinery & Equipment	20,758	24,487	-	-		
4910 Office Furniture & Fixtures	5,874	-	-	-		
4920 Machinery Tools & Equipment	77,487	125,542	60,000	60,000		
Sub-total	104,119	175,501	60,000	100,940	40,940	68%
TOTAL	25,954,501	27,258,739	30,844,757	32,676,837	1,832,080	6%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Add three new positions (Crime Analyst, Police Clerk II and Assistant Chief of Police to start in January) for \$593k
- 3) Additional funding needed to purchase five new various police vehicles for \$41k
- 4) Add 0.5 FTE Student interns for \$18k
- 5) Increase Contractual Services for \$39k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Chief of Police	1	0	0	1	Executive Secretary	1	0	0	1
Assistant Police Chief	0	0	1	1	Police Clerk Supervisor	1	0	0	1
Crime Analyst	0	0	1	1	Police Clerk II	5	0	1	6
Office Specialist	1	0	0	1	Police Evidence Technician	2	0	0	2
Communications Dispatcher	11	0	0	11	Communication Dispatch Spvior	3	0	0	3
Police Captain	3	0	0	3	Patrol Officer	3	0	0	3
Police Lieutenant	4	0	0	4	Police Officer	65	0	0	65
Support Services Manager	1	0	0	1	Police Sergeant	13	0	0	13
					Total	114	0	3	117

Public Works

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	3,229,536	3,536,524	6,210,936	6,543,644		
4112 Temporary Salaries	320,328	255,327	201,000	201,000		
4113 Overtime	195,200	254,953	301,400	297,700		
4121 Allowances	81,050	80,000	120,000	140,000		
4124 Leave Cash out	101,852	96,081	-	-		
4125 Accrued Leave	35,199	(41,712)	-	-		
4131 PERS	911,089	1,099,499	2,061,038	2,442,482		
4132 Group Insurance	891,825	924,590	1,397,760	1,528,368		
4133 Medicare	55,226	60,480	91,518	93,715		
4135 Worker's Compensation	56,889	84,395	89,688	94,025		
4138 Deferred Comp-Employer	3,912	7,142	13,628	12,600		
4139 PARS	2,413	2,603	3,916	-		
4161 Retiree Medical Reserve	157,008	184,779	284,870	306,272		
Sub-total	6,041,527	6,544,661	10,775,754	11,659,806	884,052	8%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	-	-	25,000	15,000		
4211 Equip Replacement Amortization	558,335	701,976	597,162	707,507		
4220 Supplies	910,326	983,591	1,149,475	1,203,835		
4230 Services	3,747,531	3,857,061	4,053,000	4,432,410		
4410 Communications	5,326	2,472	7,200	11,880		
4420 Utilities	97,869	98,637	152,215	152,215		
4501 Memberships and Dues	3,910	4,315	18,260	22,655		
4503 Training	17,557	28,197	92,930	144,050		
4600 Ins, Settlements & Contgcy	4,605,501	4,844,867	-	-		
Sub-total	9,946,355	10,521,116	6,095,242	6,689,552	594,310	10%
CAPITAL OUTLAY						
4850 Vehicles	-	-	-	460,946		
4920 Machinery Tools & Equipment	1,691	-	-	-		
4930 Hydrants & Meters	(41,513)	100,667	130,000	130,000		
Sub-total	(39,822)	100,667	130,000	590,946	460,946	355%
TOTAL	15,948,060	17,166,444	17,000,996	18,940,304	1,939,308	11%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Add three new positions (Sr. Public Works Lead, Environmental and Regulatory Compliance, and Administrative Analyst) for \$496k
- 3) Reclass one Maintenance Worker II for one Equipment Maintenance worker III for \$23k
- 4) Add hydro root foaming equipment for a total of \$45k
- 5) Add two new Ford F250 trucks for a total of \$16k in street maintenance
- 6) Add No-Des flushing trailer for \$400k
- 7) Increase of contractual services by 427k
- 8) Salary increase for MEA union employees due to their work hours changing from 37.5hrs to 40hrs

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
PW Director	1	0	0	1	Office Specialist	1	0	0	1
Deputy Public Works Director	1	0	0	1	Office Assistant II	1	0	0	1
Public Works Manager	3	0	0	3	Administrative Analyst I/II	1	0	1	2
Senior Admin Analyst	2	0	0	2	Maintenance Worker I	3	0	0	3
Equipment Maint Worker II	3	0	0	3	Maintenance Worker II	17	0	0	17
Equipment Maint Worker III	4	0	0	4	Maintenance Worker III	8	0	0	8
Senior Public Works Lead	5	0	1	6	Associate Civil Engineer	2	0	0	2
Principal Civil Engineer	1	0	0	1	Assistant Civil Engineer	1	0	0	1
Engineering Aide	1	0	0	1	Maintenance Custodian II	3	0	0	3
Assistant Water Operator	1	0	0	1	Maintenance Custodian III	1	0	0	1
Fleet Maintenance Worker II	3	0	0	3	Water System Operator	1	0	0	1
Fleet Maintenance Worker III	1	0	0	1	Environmental and Regulatory Compliance Specialist	0	0	1	1
					Total	65	0	3	68

Recreation

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	983,501	1,157,895	1,342,376	1,456,675		
4112 Temporary Salaries	688,118	757,931	1,166,953	1,362,450		
4113 Overtime	10,955	10,281	29,970	29,970		
4121 Allowances	-	-	5	-		
4124 Leave Cash out	19,819	26,629	-	-		
4131 PERS	232,997	346,275	476,807	543,363		
4132 Group Insurance	264,468	273,147	338,688	376,476		
4133 Medicare	24,568	28,377	36,574	21,152		
4135 Worker's Compensation	12,649	18,248	20,607	11,122		
4138 Deferred Comp-Employer	12,239	13,414	14,400	15,300		
4139 PARS	10,026	11,317	16,418	-		
4161 Retiree Medical Reserve	55,016	60,509	67,129	72,127		
Sub-total	2,314,356	2,704,023	3,509,927	3,888,635	378,708	11%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	23,735	41,043	23,500	35,000		
4211 Equip Replacement Amortization	58,434	47,605	68,924	61,754		
4220 Supplies	281,029	313,052	370,878	379,401		
4230 Services	675,858	754,630	900,257	856,014		
4501 Memberships and Dues	2,283	2,072	10,400	12,500		
4503 Training	5,454	11,859	6,415	6,800		
4600 Ins, Settlements & Contgcy	1,980	1,800	1,980	1,980		
Sub-total	1,048,773	1,172,061	1,382,354	1,353,449	(28,905)	-2%
CAPITAL OUTLAY						
4870 Machinery & Equipment	13,402	-	-	-		
4920 Machinery Tools & Equipment	7,066	-	-	-		
Sub-total	20,468	-	-	-	-	0%
TOTAL	3,383,597	3,876,084	4,892,281	5,242,084	349,803	7%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) One new Recreation Assistant IV added for \$104k
- 3) Increase hours for Recreation Services Assistant I from 30hrs to 40hrs, \$14k
- 4) Temp salaries increase for \$196k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Director of Rec & Comm Svcs	1	0	0	1	Marketing Coordinator	1	0	0	1
Recreation Services Supervisor	3	0	0	3	Senior Public Services Asst	1	0	0	1
Case Manager	1	0	0	1	Recreation Services Asst I	0.75	0	0.25	1
Public Services Assistant II	2	0	0	2	Recreation Services Asst III	1	0	0	1
Program Coordinator	4	0	0	4	Recreation Services Asst IV	1	0	1	2
					Total	15.75	0	1.25	17

Building and Safety

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	1,595,630	1,617,667	2,420,468	2,004,940		
4112 Temporary Salaries	228,340	384,985	656,698	1,080,937		
4113 Overtime	14,592	1,615	70,000	30,000		
4124 Leave Cash out	56,657	12,544	-	-		
4131 PERS	413,828	596,692	938,954	1,150,112		
4132 Group Insurance	317,930	375,338	537,594	651,797		
4133 Medicare	27,305	29,108	40,595	44,809		
4135 Worker's Compensation	20,450	28,507	26,996	28,807		
4138 Deferred Comp-Employer	13,463	14,050	17,100	16,200		
4139 PARS	96	-	-	-		
4161 Retiree Medical Reserve	109,688	120,245	139,069	152,891		
Sub-total	2,797,979	3,180,751	4,847,474	5,160,493	313,019	6%
SUPPLIES AND CONTRACTUAL SERVICES						
4211 Equip Replacement Amortization	24,224	37,464	41,358	40,546		
4220 Supplies	11,164	10,759	31,550	21,750		
4230 Services	50,231	67,232	78,250	76,000		
4501 Memberships and Dues	1,455	1,755	1,530	1,800		
4503 Training	8,840	19,199	38,400	17,100		
Sub-total	95,914	136,409	191,088	157,196	(33,892)	-18%
CAPITAL OUTLAY						
4850 Vehicles	-	24,526	-	-		
Sub-total	-	24,526	-	-	-	0%
TOTAL	2,893,893	3,341,686	5,038,562	5,317,689	279,127	6%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Reclass and or defund three positions (Building and Safety Director, Building Inspector and Permit Center Manager) for (\$206k)
- 3) Increase Apprentice salaries by \$143k
- 4) Add temporary Building Inspector (Dedicated) and a Plan Checker (Dedicated) \$338k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Electrical Building Inspector	1	0	0	1	Chief Building Official	0	0	1	1
Bldg Inspection Mgr	1	0	0	1	Building Department Director	1	0	-1	0
Building/NP Inspector	6	0	-1	5	Permit Center Manager	1	0	-1	0
Senior Building Inspector	1	0	1	2	Building Permit Technician	2	0	0	2
Senior Plan Check Engineer	1	0	0	1	Office Specialist	1	0	0	1
Plan Check Engineer	2	0	0	2	Office Assistant II	1	0	0	1
Plan Checker	1	0	0	1					
Total						19	0	-1	18

Economic Development

	*Actual 2015-16	*Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	-	-	453,830	421,937		
4112 Temporary Salaries	-	-	30,000	30,000		
4131 PERS	-	-	99,088	127,326		
4132 Group Insurance	-	-	43,008	67,428		
4133 Medicare	-	-	4,719	5,672		
4135 Worker's Compensation	-	-	1,618	1,938		
4138 Deferred Comp-Employer	-	-	1,800	2,700		
4139 PARS	-	-	450	-		
4161 Retiree Medical Reserve	-	-	14,700	19,428		
Sub-total	-	-	649,213	676,429	27,216	4%
SUPPLIES AND CONTRACTUAL SERVICES						
4220 Supplies	-	-	-	1,500		
4230 Services	-	-	155,000	255,000		
4501 Memberships and Dues	-	-	23,980	24,505		
4503 Training	-	-	15,000	15,000		
Sub-total	-	-	193,980	296,005	102,025	53%
TOTAL	-	-	843,193	972,434	129,241	15%

Major Changes:

- 1) Reclass one Economic Development Specialist to one Economic Development Coordinator for \$34k
- 2) Permanent Salaries decreased due to new positions added in FY18 being budgeted at the top step and in FY19 the position is budgeted based on current salary
- 3) Increase Contractual Services by 100k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Economic Development Director	1	0	0	1	Economic Development Specialist	2	0	-1	1
Economic Development Coordinator	0	0	1	1					
Total						3	0	0	3

* In FY15-16 and FY16-17, Economic Development is included in City Managers Budget

Engineering

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	1,659,430	1,309,099	2,234,126	2,782,224		
4112 Temporary Salaries	67,428	71,303	160,719	179,718		
4113 Overtime	16,686	35,929	49,000	22,000		
4121 Allowances	11,794	-	-	-		
4124 Leave Cash out	109,718	376,285	-	-		
4125 Accrued Leave	(55,555)	(182,132)	-	-		
4131 PERS	392,762	399,040	785,371	1,064,713		
4132 Group Insurance	327,770	270,873	408,575	539,423		
4133 Medicare	25,101	23,352	34,733	42,388		
4135 Worker's Compensation	12,192	18,053	15,285	19,215		
4138 Deferred Comp-Employer	15,728	15,220	17,100	20,700		
4139 PARS	587	835	765	1,095		
4143 Charged to CIPs	-	-	(910,117)	(1,102,107)		
4161 Retiree Medical Reserve	140,903	154,579	115,780	140,640		
Sub-total	2,724,544	2,492,436	2,911,337	3,710,009	798,672	27%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	193,323	150,223	173,700	100,500		
4211 Equip Replacement Amortization	11,263	32,058	27,686	23,594		
4220 Supplies	16,698	16,132	16,450	16,150		
4230 Services	3,628,753	3,251,818	1,095,300	727,550		
4501 Memberships and Dues	9,209	9,874	3,145	1,450		
4503 Training	6,450	3,132	9,000	4,800		
Sub-total	3,865,696	3,463,237	1,325,281	874,044	(451,237)	-34%
TOTAL	6,590,240	5,955,673	4,236,618	4,584,053	347,435	8%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Add five new positions (three Associate Civil Engineers, Junior/Assistant Civil Engineer, and a Public Works Inspector for \$521k
- 3) Reclass one Traffic Engineer to Transportation and Traffic Manager for \$23k
- 4) Decrease in overtime salaries for \$(27k)
- 5) Reduction in Contractual Services of \$(368k)

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
City Engineer	1	0	0	1	Executive Secretary	1	0	0	1
Senior Public Works Inspector	1	0	0	1	Assistant Civil Engineer	2	0	1	3
Principal Civil Engineer	0	1	0	1	Public Works Inspector	1	1	0	2
Associate Civil Engineer	5	1	2	8	CIP Manager	1	0	0	1
Engineering Aide	2	0	0	2	Transportation and Traffic Mgr	0	0	1	1
Public Information Specialist	1	0	0	1	Traffic Engineer	1	0	-1	0
Assistant City Engineer	0	-1	0	0	Administrative Analyst II	1	0	0	1
					Total	18	2	3	23

Planning & Neighborhood Svcs.

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	817,863	1,082,470	1,631,671	1,804,115		
4112 Temporary Salaries	270,196	129,336	34,000	34,000		
4113 Overtime	1,724	3,029	8,037	8,000		
4124 Leave Cash out	16,196	6,027	-	-		
4131 PERS	224,939	327,148	550,313	631,558		
4132 Group Insurance	139,342	200,719	301,056	337,140		
4133 Medicare	15,944	17,563	24,335	25,783		
4135 Worker's Compensation	4,902	6,330	8,303	8,791		
4138 Deferred Comp-Employer	7,209	9,161	12,600	13,500		
4139 PARS	1,656	1,778	510	-		
4161 Retiree Medical Reserve	59,504	58,565	81,395	88,030		
Sub-total	1,559,475	1,842,126	2,652,220	2,950,917	298,697	11%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	316,929	381,863	725,000	650,000		
4211 Equip Replacement Amortization	12,701	13,464	15,285	13,027		
4220 Supplies	19,498	12,012	12,000	14,000		
4230 Services	837,746	688,729	438,341	455,500		
4501 Memberships and Dues	1,194	1,915	5,450	5,450		
4503 Training	7,088	11,435	16,260	16,340		
Sub-total	1,195,156	1,109,418	1,212,336	1,154,317	(58,019)	-5%
TOTAL	2,754,631	2,951,544	3,864,556	4,105,234	240,678	6%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Added Housing Authority Administrator and reclass Neighborhood Preservation Specialist to a Senior Code Enforcement Officer \$65k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Planning & Neigh Svcs Director	1	0	0	1	Housing Authority Administrator	0	1	0	1
Associate Planner	2	0	0	2	Planning Manager	1	0	0	1
Senior Planner	2	0	0	2	Secretary	1	0	0	1
Junior Planner	1	0	0	1	Housing Neighborh'd Specialist	2	0	-1	1
Sr. Code Enforcement Officer	1	0	1	2	Assistant Planner	2	0	0	2
Housing & Neigh Svcs Manager	1	0	0	1					
					Total	14	1	0	15

City Council

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	56,770	57,077	63,584	56,994		
4112 Temporary Salaries	2,625	3,100	4,800	4,800		
4121 Allowances	39,351	37,549	50,700	38,700		
4131 PERS	8,001	8,996	26,638	21,560		
4132 Group Insurance	1,647	42,268	107,520	112,380		
4133 Medicare	1,262	1,368	1,774	1,370		
4135 Worker's Compensation	221	296	410	274		
4139 PARS	1,892	438	288	-		
4161 Retiree Medical Reserve	-	-	-	2,844		
Sub-total	111,769	151,092	255,714	238,922	(16,792)	-7%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	30,183	43,221	48,040	552,740		
4220 Supplies	5,490	7,575	4,500	11,000		
4230 Services	34	19,539	501,652	31,600		
4501 Memberships and Dues	37,218	53,840	57,145	65,845		
4503 Training	6,153	21,572	11,500	28,000		
4520 Commissions and Boards	18,755	4,700	19,200	14,000		
Sub-total	97,833	150,447	642,037	703,185	61,148	10%
TOTAL	209,602	301,539	897,751	942,107	44,356	5%

Major Changes:

- 1) Increase in County Library Branch Assistance of \$40k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Council Members	5	0	0	5					
Total						5	0	0	5

City Manager

	*Actual 2015-16	*Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	686,326	586,172	602,128	1,216,244		
4112 Temporary Salaries	20,812	20,558	30,000	-		
4113 Overtime	(2,925)	5,889	-	-		
4121 Allowances	1,375	-	-	6,600		
4124 Leave Cash out	136,709	38,148	-	-		
4131 PERS	198,457	195,167	223,648	418,895		
4132 Group Insurance	80,526	85,631	64,512	157,332		
4133 Medicare	12,107	9,155	9,217	17,822		
4135 Worker's Compensation	2,776	2,620	3,138	6,062		
4138 Deferred Comp-Employer	3,479	3,188	2,700	6,300		
4139 PARS	315	297	450	-		
4161 Retiree Medical Reserve	35,748	24,756	29,892	60,600		
Sub-total	1,175,705	971,581	965,685	1,889,855	924,170	96%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	515	8,186	7,000	10,000		
4211 Equip Replacement Amortization	3,309	3,234	2,126	-		
4220 Supplies	6,528	6,887	7,000	7,000		
4230 Services	214,958	287,064	50,000	200,000		
4501 Memberships and Dues	22,247	22,476	1,000	3,300		
4503 Training	9,634	13,934	11,500	11,000		
4520 Commissions and Boards	30	-	-	-		
Sub-total	257,221	341,781	78,626	231,300	152,674	194%
TOTAL	1,432,926	1,313,362	1,044,311	2,121,155	1,076,844	103%

Major Changes:

- 1) Added four positions (Assistant to the City Manager, Public Information Officer, Office Specialist and Deputy City Manager) for \$935k
- 2) Increase of contractual services and newsletter printing for \$150k
- 3) Removed temporary salaries (\$31k)

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
City Manager	1	0	0	1	Executive Secretary	1	0	0	1
Assistant City Manager	1	0	0	1	Public Information Officer	0	0	1	1
Deputy City Manager	0	1	0	1	Office Specialist	0	0	1	1
Assistant to the City Manager	0	0	1	1					
					Total	3	1	3	7

* In FY15-16 and FY16-17, Economic Development is included in City Managers Budget

City Attorney

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	111,772	104,048	106,708	109,912		
4112 Temporary Salaries	8,873	-	-	-		
4131 PERS	26,257	28,142	36,072	41,486		
4132 Group Insurance	28,543	20,810	21,504	22,476		
4133 Medicare	2,406	1,522	1,558	1,608		
4135 Worker's Compensation	1,735	456	480	492		
4138 Deferred Comp-Employer	962	900	900	900		
4139 PARS	130	-	-	-		
4161 Retiree Medical Reserve	5,644	4,584	4,764	4,908		
Sub-total	186,322	160,462	171,986	181,782	9,796	6%
SUPPLIES AND CONTRACTUAL SERVICES						
4220 Supplies	11,959	818	1,500	1,500		
4230 Services	1,001,053	922,202	561,400	565,650		
4503 Training	54	-	-	-		
SubTotal	1,013,066	923,020	562,900	567,150	4,250	1%
TOTAL	1,199,388	1,083,482	734,886	748,932	14,046	2%

Major Changes:

1) None

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Executive Secretary	1	0	0	1			0		
Total						1	0	0	1

City Clerk

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	230,404	237,666	314,014	322,196		
4112 Temporary Salaries	7,741	17,254	-	-		
4124 Leave Cash out	1,302	6,340	-	-		
4131 PERS	57,124	71,979	105,918	121,452		
4132 Group Insurance	25,194	25,408	64,512	67,428		
4133 Medicare	3,650	3,928	4,606	4,708		
4135 Worker's Compensation	892	1,179	1,572	1,544		
4138 Deferred Comp-Employer	1,793	1,800	2,700	2,700		
4139 PARS	116	259	-	-		
4161 Retiree Medical Reserve	11,998	11,839	15,696	15,372		
Sub-total	340,214	377,652	509,018	535,400	26,382	5%
SUPPLIES AND CONTRACTUAL SERVICES						
4220 Supplies	1,280	1,750	3,000	3,000		
4230 Services	19,300	25,824	27,500	28,000		
4280 Elections	10,309	168,581	-	200,000		
4501 Memberships and Dues	530	540	1,500	1,500		
4503 Training	3,567	4,854	5,000	6,000		
SubTotal	34,986	201,549	37,000	238,500	201,500	545%
TOTAL	375,200	579,201	546,018	773,900	227,882	42%

Major Changes:

1) Municipal election costs of \$200k increases services

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
City Clerk	1	0	0	1	Office Assistant	1	0	0	1
Deputy City Clerk	1	0	0	1					
					Total	3	0	0	3

Finance

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	1,730,231	1,793,059	2,370,157	2,675,692		
4112 Temporary Salaries	117,178	123,689	84,480	89,600		
4113 Overtime	14,884	3,955	15,000	15,000		
4121 Allowances	2,981	3,000	-	-		
4124 Leave Cash out	57,968	49,654	-	-		
4125 Accrued Leave	(5,078)	(636)	-	-		
4131 PERS	409,355	535,554	783,725	988,776		
4132 Group Insurance	370,350	371,001	526,848	618,084		
4133 Medicare	28,168	28,618	35,126	38,382		
4135 Worker's Compensation	10,129	14,151	14,529	15,788		
4138 Deferred Comp-Employer	17,710	16,798	19,800	22,500		
4139 PARS	1,410	1,404	1,268	-		
4143 Charged to CIPs	-	-	(45,000)	-		
4161 Retiree Medical Reserve	100,260	104,421	115,723	130,032		
Sub-total	2,855,546	3,044,668	3,921,656	4,593,854	672,198	17%
SUPPLIES AND CONTRACTUAL SERVICES						
4211 Equip Replacement Amortization	14,161	3,050	23,619	15,769		
4220 Supplies	108,137	71,653	120,350	122,850		
4230 Services	309,474	422,275	296,450	377,110		
4501 Memberships and Dues	1,852	1,497	2,150	2,150		
4503 Training	12,377	7,693	25,885	26,435		
Sub-total	446,001	506,168	468,454	544,314	75,860	16%
CAPITAL OUTLAY						
4850 Vehicles	7,504	-	-	-		
4920 Machinery Tools & Equipment	392	1,668	-	-		
4930 Hydrants & Meters	-	15,165	30,000	30,000		
sub-total	7,896	16,833	30,000	30,000	-	0%
TOTAL	3,309,443	3,567,669	4,420,110	5,168,168	748,058	17%

Major Changes:

- 1) Increase in personnel services due to negotiated union Salary and benefit increases and increases in PERS contribution rates
- 2) Add three new positions (two Financial Analyst I and one Customer Services Supervisor for \$453k; offset by \$200k in revenue
- 3) Reclass three Accounting Techs to two Fiscal Assistant I and one Fiscal Assistant II for \$52k
- 4) Increase of contractual services by \$80k

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Director of Financial Services	1	0	0	1	Senior Accountant	4	0	0	4
Buyer	1	0	0	1	Financial Analyst I	0	0	2	2
Budget Manager	1	0	0	1	Purchasing Agent	1	0	0	1
Accounting Technician	1	0	0	1	Assistant Finance Director	1	0	0	1
Water Meter Reader II	2.5	0	0	2.5	Accountant	2	0	0	2
Customer Services Supervisor	0	0	1	1	Fiscal Assistant I/II	10	0	0	10
					Total	24.5	0	3	27.5

Human Resources

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	387,325	366,035	556,530	542,764		
4112 Temporary Salaries	30,390	25,073	25,000	10,000		
4113 Overtime	-	-	1,000	1,000		
4121 Allowances	250	-	-	-		
4124 Leave Cash out	313	11,759	-	-		
4131 PERS	94,740	110,626	187,784	204,394		
4132 Group Insurance	61,472	54,476	107,520	112,380		
4133 Medicare	6,204	5,716	8,511	7,942		
4135 Worker's Compensation	1,809	2,295	2,890	2,702		
4138 Deferred Comp-Employer	3,000	2,750	4,500	4,500		
4139 PARS	453	290	375	-		
4141 Adjustments-Payroll	15,000	-	-	-		
4161 Retiree Medical Reserve	22,908	22,908	27,756	27,144		
Sub-total	623,864	601,928	921,866	912,826	(9,040)	-1%
SUPPLIES AND CONTRACTUAL SERVICES						
4200 Community Promotions, Grants & Loans	5,895	5,636	8,000	8,500		
4220 Supplies	5,569	1,600	5,000	5,500		
4230 Services	434,958	497,738	472,500	500,450		
4501 Memberships and Dues	699	16,350	1,562	2,475		
4503 Training	27,190	20,403	19,000	31,000		
Sub-total	474,311	541,727	506,062	547,925	41,863	8%
TOTAL	1,098,175	1,143,655	1,427,928	1,460,751	32,823	2%

Major Changes:

- 1) Increase of advertising for recruitments and contractual services of \$27k
- 2) Increase Training and Registration by \$10k
- 3) Decrease Staff Assistant temp by 0.5 FTE for \$(15k)

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Human Resources Director	1	0	0	1	Human Resources Assistant	1	0	0	1
Human Resources Technician	1	0	0	1	Human Resource Analyst I/II	2	0	0	2
Total						5	0	0	5

Information Services

	Actual 2015-16	Actual 2016-17	Budget 2017-18	Proposed 2018-19	\$ Change From Prior Yr	% Change From Prior Yr
PERSONNEL SERVICES						
4111 Permanent Salaries	1,036,636	1,067,838	1,224,794	1,348,244		
4112 Temporary Salaries	8,227	16,998	75,000	50,000		
4113 Overtime	667	-	-	-		
4121 Allowances	1,500	1,500	-	-		
4124 Leave Cash out	40,171	46,171	-	-		
4131 PERS	243,530	316,328	413,072	507,708		
4132 Group Insurance	145,823	156,717	215,040	247,236		
4133 Medicare	15,771	16,457	18,994	19,686		
4135 Worker's Compensation	3,835	6,115	6,489	6,730		
4138 Deferred Comp-Employer	8,100	8,100	9,000	9,900		
4139 PARS	124	259	1,125	-		
4161 Retiree Medical Reserve	51,440	57,428	61,080	67,224		
Sub-total	1,555,824	1,693,911	2,024,594	2,256,728	232,134	11%
SUPPLIES AND CONTRACTUAL SERVICES						
4211 Equip Replacement Amortization	9,207	8,999	8,116	6,917		
4220 Supplies	16,108	12,280	18,000	18,180		
4230 Services	644,951	622,791	861,286	1,151,499		
4410 Communications	171,392	185,323	244,578	269,036		
4501 Memberships and Dues	-	404	2,000	2,200		
4503 Training	9,694	8,514	10,500	11,500		
Sub-total	851,352	838,311	1,144,480	1,459,332	314,852	28%
CAPITAL OUTLAY						
4870 Machinery & Equipment	5,926	-	-	-		
4920 Machinery Tools & Equipment	241,252	247,328	157,500	173,250		
Sub-total	247,178	247,328	157,500	173,250	15,750	10%
TOTAL	2,654,354	2,779,550	3,326,574	3,889,310	562,736	17%

Major Changes:

- 1) Add one Senior Information Analyst/Developer for \$194k
- 2) Increase of software and hardware maintenance for \$215k
- 3) Increase contractual Services by \$75k
- 4) Reduce Temps by 0.5 FTE for \$(25k)

Position	FY18	FY18 Midyr Add	Proposed Add	FY19	Position	FY18	FY18 Midyr Add	Proposed Add	FY19
Desktop Technician	2	0	0	2	Operations Manager	1	0	0	1
Systems Administrator	2	0	0	2	Video Media Specialist	1	0	0	1
Office Specialist	1	0	0	1	Telecommuni-cations Manager	1	0	0	1
G I S Manager	1	0	0	1	Sr. Information Analyst/Developer	0	0	1	1
Information Services Director	1	0	0	1					
Total						10	0	1	11

Appendices



Appendix A – Reserves



General Fund Reserves Balances

as of June 30, 2017

TOTAL FUND BALANCE	\$	72,741,461
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<u>Fund Balance Classifications</u>	<u>Reserve Amount \$</u>	<u>Comments</u>
<i>Nonspendable</i>	\$	20,209,359
Loans Receivable	10,335,400	Not available to be spent
Prepays, Materials, Supplies, and Deposits	554,209	
Property Held for Resale	4,200,000	
Advance to Other Funds	5,119,750	
<i>Restricted</i>	\$	-
		Restricted by outside agencies
<i>Committed</i>	\$	19,025,620
PERS Stabilization	19,025,620	Committed by Council resolution
<i>Assigned</i>	\$	8,066,566
Uninsured Claims Payable	2,816,694	Assigned through Council intent or action
Encumbered Purchase Orders	788,391	
TOT Fund Projects and Programs	4,461,481	
<i>Unassigned</i>	\$	25,439,916
16.67% Contingency Reserve	15,033,370	Established by Council adopted fiscal policy
Remaining Unassigned	10,406,546	Available to be assigned or committed

Other Recommended Reserves

Below you will find a summary of other General Fund Reserves that staff recommends based upon best fiscal practices. Council may wish to establish these new reserves using the remaining Unassigned General Fund balance of \$10.4 million and/or commit a fixed annual amount or percentage (%) of any future unexpected surplus funds on an ongoing basis. Please also note that staff is proposing using \$2.65 million of the \$10.4 million Unassigned General Fund balance to support Council identified CIP projects; thereby leaving a balance of \$7.75 million. Of that \$7.75 million, staff recommends the following new General Fund reserve levels, which are detailed below the summary table. These are in addition to the General Fund Contingency Reserve and PERS Stabilization Reserve already established and displayed on the previous page:

Description	Recommended Reserve Level for FY 2018-19	Recommended Long-Term Target
Budget Stabilization	\$4,000,000	\$8,300,000
Facilities Replacement	2,000,000	10,000,000
Technology Replacement	1,000,000	5,000,000
Artificial Turf Replacement	750,000	2,000,000
TOTAL	\$7,750,000	\$25,300,000

- **(NEW) Budget Stabilization Reserve** - The purpose of a Budget Stabilization Reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and/or higher than projected expenditures that cannot be re-balanced within existing budget resources in any given year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels to the community when these fluctuations occur. This reserve is again different than the 16.67% Contingency Reserve already established. The Contingency Reserve is meant to address dire cash flow operating needs in the event of a disaster or emergency where normal operating revenues may be delayed for weeks or months.

Any use of the General Fund Budget Stabilization Reserve should require majority vote by the City Council through the adoption of the Operating Budget or by appropriation action during the fiscal year. Staff recommends having a long term target for this reserve of 8.33% of budget expenditures or \$8.3 million. That would equal one (1) month of operating expenditures. Nevertheless, this is a significant amount to achieve in one year. As such, staff recommends a level of \$4 million in FY 2018-19, with additional amounts added in future fiscal years, until the maximum target level was achieved. The replenishment or use of this reserve could be incorporated into the annual Adopted Operating Budget as resources are available to replenish and/or increase this reserve, or as funds are needed to address a budget shortfall.

Surveyed San Francisco Bay Area Cities that have a similar reserve: San Jose, Campbell, Cupertino, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, Santa Clara, Saratoga, Sunnyvale, and Union City

Other Recommended Reserves

- **(NEW) Facilities Replacement Reserve** – A Facility Replacement Reserve could be established to accrue funding for major rehabilitation or replacement of City Facilities (buildings/structures). Eligible uses of this reserve could include both direct funding of public facility improvements, and the servicing of related debt. Small facility building replacements, major facility renovations, and down payment contributions toward a large facility replacement in conjunction with bond measure funding are examples of intended Facility Replacement Reserve uses. A Facility Replacement Reserve demonstrates both the City's good faith funding effort and financial stewardship for future bond measures if needed, as well as accumulating funding for a down payment on replacement infrastructure to minimize bond funding needs.

Any use of the Facilities Replacement Reserve should require majority vote by the City Council through the annual adoption of the Capital Improvement Program (CIP) or by appropriation action during the fiscal year. Staff recommends having a long term target for this reserve of \$10.0 million. That could help to support the rehabilitation of fire stations, costing between \$7 million and \$10 million, or other facility needs.

Nevertheless, this is a significant amount to achieve in one year. As such, staff recommends a level of \$2 million in FY 2018-19, with additional amounts added in future fiscal years, until the maximum target level was achieved. The replenishment or use of this reserve could be incorporated into the annual budget and CIP process as resources are available to replenish and/or increase this reserve, or as funds are needed to address a facility needs.

Surveyed San Francisco Bay Area Cities that have a similar reserve: Saratoga

- **(NEW) Technology Replacement Reserve** – A Technology Replacement Reserve could be established to accrue funding for major rehabilitation or replacement of the City's technology infrastructure or new technology initiatives. Eligible uses of this reserve could include the Police Computer Aided Dispatch (CAD) / Records Management System (RMS), citywide servers and switches, fire station alerting systems, citywide telephone systems, and wireless initiatives. The establishment of such a reserve helps to ensure that critical systems needed to maintain City services are kept operational and that emerging technology opportunities to better serve the community can be explored as they arise.

Any use of the Technology Replacement Reserve should require majority vote by the City Council through the annual adoption of the Operating Budget or Capital Improvement Program (CIP) or by appropriation action during the fiscal year. Staff recommends having a long term target for this reserve of \$5.0 million. Nevertheless, this is a significant amount to achieve in one year. As such, staff recommends a level of \$1 million in FY 2018-19, with additional amounts added in future fiscal years, until the maximum target level was achieved. The replenishment or use of this reserve could be incorporated into the annual budget and CIP process as resources are available to

Other Recommended Reserves

replenish and/or increase this reserve, or as funds are needed to address a technology needs.

Surveyed San Francisco Bay Area Cities that have a similar reserve: Campbell

- **(NEW) Artificial Turf Replacement Reserve** – The cost of replacing artificial turf fields such as the field installed at the Milpitas Sports Center in 2016 can be approximately \$2 million. Turf fields are normally warrantied for eight (8) years and have a useful life of about the same depending on actual wear and tear. Thus, the City Council could establish a reserve fund that would be added to annually by the normal depreciation expense of the City's artificial turf fields over their useful life. This is often also referred to as a sinking fund. Future replacement of the City's artificial turf fields could be paid for from this reserve fund and eliminate a large spike in capital expenses; thereby normalizing annual costs long-term.

Staff recommends having a long term target for this reserve of \$2.0 million to replace the field installed at the Milpitas Sports Center. With an eight (8) year standard life that would require setting aside \$250,000 per fiscal year and the City is already two (2) years behind. As such, staff recommends a set aside of \$750,000 in FY 2018-19, with additional amounts added in future fiscal years, until the replacement target level was achieved. The use of this reserve could be incorporated into the annual budget and CIP process as funds are needed to address artificial turf replacement needs.

Surveyed San Francisco Bay Area Cities that have a similar reserve: San Jose

Appendix B – City of Milpitas Fiscal Policies



Fiscal Policies

GENERAL FINANCIAL GOALS

1. To maintain a financially viable city that can maintain an adequate level of municipal services.
2. To maintain financial flexibility in order to be able to continually adapt to local and regional economic change.
3. To maintain and enhance the sound fiscal condition of the City.

OPERATING BUDGET POLICIES

4. The City will adopt a balanced budget by June 30th of each year.
5. An annual base operating budget will be developed by accurately and realistically projecting revenues and expenditures for the current and forthcoming fiscal year.
6. During the annual budget development process, the existing base budget will be thoroughly examined to assure cost effectiveness of the services or programs provided.
7. Annual operating budgets will include the cost of operations of new capital projects.
8. The City will avoid balancing the current budget at the expense of future budgets, unless the use of reserves is expressly authorized by the City Council.
9. The City's operating budget will be prepared on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase and capital project expenditures are budgeted on a project length basis.

REVENUE POLICIES

10. The City will try to maintain a diversified and stable revenue system to avoid over-reliance on any one revenue source.
11. Revenue estimates are to be accurate and realistic, sensitive to both local and regional economic conditions.
12. The City will estimate its annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate.
13. User fees will be reviewed annually for potential adjustments to recover the full cost of services provided, except when the City Council determines that a subsidy is in the public interest.
14. The City will actively pursue federal, state, and other grant opportunities when deemed appropriate. Before accepting any grant, the City will thoroughly consider the implications in terms of ongoing obligations that will be required in connection with acceptance of said grant.
15. One-time revenues will be used for one-time expenditures only, including capital outlay and reserves.

EXPENDITURE POLICIES

16. The City will maintain levels of service, as determined by the City Council, to provide for the public well-being and safety of the residents of the community.
17. Employee benefits and salaries will be maintained at competitive levels.
18. Fixed assets will be maintained and replaced as necessary, minimizing deferred maintenance.
19. The City will develop and use technology and productivity enhancements that are cost effective in reducing or avoiding increased personnel costs.

UTILITY RATES AND FEES

20. Water and sewer utility customer rates and fees will be reviewed and adjusted annually, if necessary.
21. All utility enterprise funds will be operated in a manner similar to private enterprise. As such, the City will set fees and user charges for each utility fund at a level that fully supports the total direct and indirect cost of the activity, including depreciation of assets, overhead charges, and reserves for unanticipated expenses and capital projects.

CAPITAL BUDGET POLICIES

22. The City will develop an annual Five-year Capital Improvement Program (CIP) which is designed to develop and maintain infrastructure to support existing residences and businesses and future anticipated development.
23. The CIP will identify the estimated full cost of each project which includes administration, design, development and implementation, and operating costs once the projects are completed.
24. The CIP will identify potential funding sources for each proposed capital project, prior to submitting proposed projects to the City Council for approval. When appropriate, the CIP will seek other funding sources such as State and Federal funds, private funds and leverage these funding sources with public money to help meet the highest priority community needs.
25. The funding for the first year of the Five-year CIP will be legally appropriated as a component of the annual operating budget. Funding for future projects identified in the five year CIP has not been secured or legally authorized and is therefore subject to change.
26. Each CIP project will be assigned to a Project Manager whose responsibilities are to monitor all phases of the project to ensure timely completion of the project and compliance with the project budget and all regulations and laws.

DEBT POLICIES

27. The City will limit long-term debt to only those capital improvements or long-term liabilities that cannot be financed from current revenue sources.
28. The City will utilize debt financing for projects which have a useful life that can reasonably be expected to exceed the period of debt service for the project.
29. The City will protect and maintain the City's general credit rating of "AAA".
30. The City may utilize interfund loans rather than outside debt to meet short-term cash flow needs.

31. The City will minimize costs and liabilities to the City when sponsoring debt financing for private sectors.

RESERVE POLICIES

32. The City will periodically review and update reserve guidelines, to ensure that the City has sufficient reserve balances to adequately provide for emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements.
33. The City will maintain an unassigned fund balance (Contingency Reserve) of at least 16.67% of the annual operating expenditures in the General Fund for emergencies and unforeseen operating or capital needs.
34. The City will maintain in the General Fund or in a Section 115 Trust a Public Employees Retirement (PERS) Rate Stabilization Reserve to be funded by 50% of any General Fund annual operating surpluses after General Fund Contingency Reserve requirements have been met. The City may use the Reserve to fund either the Annual Required Contribution (ARC) amount in lieu of a contribution amount derived from a percentage of salary, pay down unfunded pension liabilities with CalPERS, or reduce the length of pension cost amortization schedules with CalPERS. Any savings or additional costs resulting from the funding methodologies shall be adjusted from the PERS Rate Stabilization Reserve. This reserve may also be drawn on if the required employer contribution rates exceed previous year's contribution rates by more than 3% of payroll. In this instance, the City Council must approve utilization of this reserve at the time of the budget hearing.
35. The City will maintain a Storm Drain replacement reserve to replace and repair storm drain pump stations. The City will endeavor to set-aside \$500,000 annually from the General Fund reserve for this purpose.
36. The City will maintain a retiree medical benefits account established by an irrevocable trust and fund the required contribution annually.
37. Other reserves assigned to investment portfolio market gain, and uninsured claims payable will be calculated and adjusted annually at appropriate levels.
38. The City will maintain working capital in the Water and Sewer utility enterprise funds to provide for future capital projects and unanticipated emergencies, such as water main break repairs, pump station repairs. The City will attempt to maintain a working capital reserve of approximately 30% of the annual operating and maintenance expenses for Water utility fund and 25% of the annual operating and maintenance expenses for Sewer utility fund.
39. In addition, the City will maintain Infrastructure Replacement funds for both Water and Sewer utilities. The goal is to accumulate at least \$2 million a year from each utility fund to set-aside for replacement of infrastructure as the infrastructure reaches the end of its useful life.
40. Reserve levels for Debt Service Funds will be established and maintained as prescribed by the bond covenants authorized at the time of debt issuance.
41. The City will maintain a capital reserve in an Equipment Replacement fund, set up as an internal service fund, to enable the timely replacement of vehicles and depreciable equipment as cost. The City will maintain a minimum fund balance of at least 30% of the replacement costs for equipment accounted for in this fund.
42. The City will maintain a capital reserve for technological equipment replacement and will endeavor to set-aside an annual amount of \$300,000 in this fund.

43. The City may direct any loan repayments from the former Redevelopment Agency and residual property tax distributions from the Redevelopment Property Tax Trust Fund to a General Government Capital Improvement Fund to address the funding needs of capital improvement projects.
44. The City may direct any portion of the General Fund revenues that is not required to balance the operating budget and to meet other General Fund reserve requirements listed previously to a General Government Capital Improvement Fund to address the funding needs of capital improvement projects.
45. The City may direct any portion of the unassigned fund balance of the 2% Transient Occupancy Tax Fund to a General Government Capital Improvement Fund to address the funding needs of capital improvement projects.

INVESTMENT POLICIES

46. The Finance Director/City Treasurer will annually render an investment policy for City Council's review and modification as appropriate. The review will take place at a public meeting and the policy shall be adopted by resolution of the City Council.
47. City funds and investment portfolio will be managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order.
48. Reports on the City's investment portfolio and cash position shall be developed by the Finance Director/City Treasurer and reviewed by the City Council quarterly.
49. Generally Accepted Accounting Principles required that differences between the costs of the investment portfolio and the fair value of the securities be recognized as income or losses in a government's annual financial report. These variances shall not be considered as budgetary resources or uses of resources unless the securities are sold before maturity or the values of the investments are permanently impaired.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

50. The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles as they apply to governmental accounting.
51. An annual audit will be performed by an independent public accounting firm with the subsequent issuance of a Comprehensive Annual Financial Report, within six months of the close of the previous fiscal year.
52. Quarterly financial reports and status reports will be submitted to the City Council at the end of each quarter and be made available to the public. The report will provide an analysis of budgeted versus actual revenues and expenditures, on a year-to-date basis. At the minimum, the report shall include the status of the General Fund revenues and expenditures, and Water and Sewer utility fund revenues.

Appendix C – City Council O&M Budget Detail



City Council Operating and Maintenance (O&M) Budget FY 2018-19

On the proceeding page, you will find the City Council operating and maintenance (O&M) budget for FY 2018-19. This budget includes items requested by Council during recent budget workshops. Significant changes from the FY 2017-18 budget include the following:

- Correction of several benefit accounts for Council which resulted in a **\$6,590 savings**.
- **\$6,500** additional for Council supplies.
- **\$6,600** for translation services of meetings.
- **\$5,300** to attend US Conference of Mayors.
- Increase of annual travel and training budget per Councilmember to \$5,000 total to attend other trainings, from a current level of \$2,000. This added **\$15,000** total to the Council's budget.
- Normalization of Planning Commission miscellaneous expense and supplies allowance to \$1,000, from a previous level of \$6,200. This is a **\$5,200 savings**.
- Increase of County library support in Milpitas by **\$39,948**. This is to account for normal annual cost increases for personnel and is paid for from the TOT Fund.

**Proposed FY18-19 Temporary Personnel, Supplies & Contractual expenditures
Comparing to FY17-18**

City Council

FUND	ORG	OBJ	DESCRIPTION	PROVIDER	FY 18-19	Current YR	Variance
100	100	4112	Meetings- 24 @ \$25 x 8 ppl	Planning Commission	4,800	4,800	-
100	100	4202	Library Adv Comm Annual Event	TBD	4,500	3,500	1,000
100	100	4202	Plaques/Awards/Giiveaways	various vendors	4,000	3,500	500
100	100	4202	Others	tbd	8,000	8,000	-
100	100	4202	Sister Cities Program	Various Providers	6,240	6,240	-
100	100	4203	Unallo Community Promotions	Miscellaneous Requests	20,000	20,000	-
100	100	4221	Miscellaneous Supplies	Various	11,000	4,500	6,500
100	100	4237	Public Ed & Gov (PEG) Acess Ch	Community TV	25,000	25,000	-
100	100	4237	Translation Services	TBD	6,600	-	6,600
100	100	4501	US Conference of Mayors	US Conference of Mayor	5,300	-	5,300
100	100	4501	ABAG	ABAG	15,000	14,000	1,000
100	100	4501	SV@Home-\$1000/yr for 3-yr comm	SV@Home	1,000	-	1,000
100	100	4501	Silicon Valley Organization	Silicon Valley Organizati	1,000	-	1,000
100	100	4501	LAFCO	SCC Finance Agency Tr	10,500	10,000	500
100	100	4501	League of CA Cities	League of CA Cities	20,500	20,000	500
100	100	4501	Cities Association of SCC	Cities Association of SC	6,500	6,100	400
100	100	4501	Chamber of Commerce	Chamber of Commerce	395	395	-
100	100	4501	LoCC - Peninsula Division	League of CA Cities-Pen	150	150	-
100	100	4501	National League of CA Cities	National League of CA C	5,500	5,500	-
100	100	4503	Mayor & Council \$5000 ea	tbd	25,000	10,000	15,000
100	100	4506	Closed Session,Sp Mtg,Recog	Miscellaneous	3,000	1,500	1,500
100	100	4522	BPAC	Various Providers	1,000	1,000	-
100	100	4522	Econ Dev	Various Providers	1,000	1,000	-
100	100	4522	Library	Various Providers	1,000	1,000	-
100	100	4522	PRCRC	Various Providers	1,000	1,000	-
100	100	4522	Senior Advisory	Various Providers	1,000	1,000	-
100	100	4522	Sister Cities	Various Providers	1,000	1,000	-
100	100	4522	Youth Advisory	Various Providers	1,000	1,000	-
100	100	4522	Arts	Various Providers	1,000	1,000	-
100	100	4522	EPC	Various Providers	1,000	1,000	-
100	100	4522	Telecom	VArious Providers	1,000	1,000	-
100	100	4522	Veteran Commission	Various Providers	1,000	1,000	-
100	100	4522	Community Adv	Various Providers	1,000	1,000	-
100	100	4522	RSRAC	Various Providers	1,000	1,000	-
100	100	4522	Planning	Various Providers	1,000	6,200	(5,200)
102	100	4202	County Library Branch Assistan	SCC Library Services	510,000	470,052	39,948
Subtotal					707,985	632,437	75,548

Appendix D – Other Departmental Requests for Consideration



Other Departmental Requests Not in the Draft Proposed Operating Budget for Council Consideration

Based on requests currently in the draft Proposed Operating Budget for FY 2018-19, staff is projecting an operating surplus of \$681,000, where revenues exceed expenditures. Therefore, Council may wish to consider a list of additional departmental proposals, which were not included, but are attached, to further meet Council identified priorities. The additional departmental proposals list totals \$987,000. Council may also wish to develop its own proposals for items not shown on the list. If possible, please send all additional requests to the City Manager and Director of Financial Services by 12 noon on Monday April 9 so that cost analysis may be performed and included in the discussion for the Tuesday April 10 budget study session. Council proposals can also be submitted later or at the Tuesday April 10 budget study session, but those items will require additional time to perform cost analysis after the budget study session and before May budget adoption. To help facilitate discussion at the budget study session, Council will be given "play" money with which they can assign to items on the list of additional departmental proposals or their own proposals. This is similar to an exercise used during the recent community budget workshops and proved to be an enjoyable and efficient manner to prioritize given limited resources.

Other Departmental Requests Not in the Draft Proposed Operating Budget for Council Consideration

PUBLIC SAFETY

Personnel

<u>Job Title</u>	<u>FTE</u>	<u>Total Cost</u>	<u>GF Impact</u>	<u>Other Funds</u>
Fire Inspector Apprentice	1.00	\$ 143,917	\$ 143,917	\$ -
Administrative Analyst I (Police)	1.00	\$ 156,131	\$ 156,131	\$ -

Sub-Total: \$ 300,048

**Annual depreciation costs would also need to be calculated and added to the General Fund*

PARKS, RECREATION, AND INFRASTRUCTURE

Personnel

<u>Job Title</u>	<u>FTE</u>	<u>Total Cost</u>	<u>GF Impact</u>	<u>Other Funds</u>
Fleet Maintenance Worker III**	1.00	\$ 181,191	\$ 181,191	\$ -
Youth Job Development Program		\$ 100,000	\$ 100,000	\$ -

Sub-Total: \$ 281,191

***Charged to Equipment Management Fund, which is then charged back to the General Fund*

DEVELOPMENT AND GROWTH

Personnel

<u>Job Title</u>	<u>FTE</u>	<u>Total Cost</u>	<u>GF Impact</u>	<u>Other Funds</u>
Principal Planner	1.00	\$ 226,068	\$ 192,158	\$ 33,910

Capital Outlay

<u>Description</u>	<u>Total Cost</u>	<u>Replacement Fund</u>	<u>Additional Funds Needed</u>	<u>Funding Source</u>
Two (2) Ford Escape (Building)*	\$ 56,000	\$ -	\$ 56,000	General Fund

Sub-Total: \$ 248,158

**Annual depreciation costs would also need to be calculated and added to the General Fund*

LEADERSHIP AND SUPPORT SERVICES

Personnel

<u>Job Title</u>	<u>FTE</u>	<u>Total Cost</u>	<u>GF Impact</u>	<u>Other Funds</u>
Customer Services Manager (IS)	1.00	\$ 157,875	\$ 157,875	\$ -

Sub-Total: \$ 157,875

GRAND TOTAL \$ 987,272